

## SUMMARY ANALYSIS OF AMENDED BILL

Author: Cunneen & Alquist Analyst: Kristina North Bill Number: AB 1713  
Related Bills: See previous analysis Telephone: 845-6978 Amended Date: 03/04/98  
Attorney: Doug Bramhall Sponsor:

**SUBJECT:** Employer Public School Math or Science Teachers Credit/Open Enrollment Classes Credit

- ☒ DEPARTMENT **TECHNICAL** AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced January 28, 1998.
- ☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced January 28, 1998.
- ☒ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 28, 1998, STILL APPLIES.
- ☐ OTHER - See comments below.

### SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would authorize a credit to taxpayers equal to 50% of the qualified expenses paid or incurred during the taxable or income year in connection with lending a qualified employee to a public school, as defined, for the purpose of teaching math or science.

Under the PITL and the B&CTL, this bill would authorize a credit to taxpayers equal to 50% of qualified expenses paid or incurred during a taxable or income year in connection with allowing a public school teacher to attend an employer-sponsored education class by using an open enrollment space. These credits will be discussed separately in this analysis.

### SUMMARY OF AMENDMENT

The March 4, 1998, amendment redefined "public school"; specified a percentage for the amount for both credits; and made technical corrections suggested by the department.

Except for these changes, the department's prior analysis still applies. The implementation concerns are restated as follows and a new revenue estimate is

DEPARTMENTS THAT MAY BE AFFECTED:

\_\_\_ STATE MANDATE

\_\_\_ GOVERNOR'S APPOINTMENT

Board Position:

☐ S ☐ O  
☐ SA ☐ OUA  
☐ N ☐ NP  
☐ NA ☐ NAR  
☒ X PENDING

Agency Secretary Position:

☐ S ☐ O  
☐ SA ☐ OUA  
☐ N ☐ NP  
☐ NA ☐ NAR  
DEFER TO \_\_\_\_\_

**GOVERNOR'S OFFICE USE**

Position Approved \_\_\_\_\_  
Position Disapproved \_\_\_\_\_  
Position Noted \_\_\_\_\_

Department/Legislative Director Date  
**Johnnie Lou Rosas** **3/19/98**

Agency Secretary Date

By: Date:

included to reflect the redefinition of "public school" and the specified percentage.

**LENDING QUALIFIED EMPLOYEE TO TEACH MATH AND SCIENCE**

**Implementation Considerations**

For this bill to carry out the sponsor's intent that employees "teach" high school and community college students, not just serve as guest speakers, and for the department to effectively implement this credit, definitions are needed for: "teaching," "lending," "preparation time," "employment specialty," and "math and science" (i.e., the kind of math or science).

Further definition is needed for "qualified expenses" and "qualified employee" (i.e., would the employee also need to be a credentialed teacher).

The department would have difficulty verifying that the credit requirements have been met. One solution would be to require the school to verify to the taxpayer, in writing, the date and time spent by the taxpayer's employee for "teaching math or science" in the school. The taxpayer would provide a copy to the FTB upon request.

The department would have difficulty verifying preparation time.

**PUBLIC SCHOOL TEACHER TO ATTEND EMPLOYER-SPONSORED EDUCATION CLASS BY USING AN OPEN ENROLLMENT SPACE**

**Implementation Considerations**

In order for the department to effectively implement this portion of the bill, definitions are needed for: "public school teacher," "employer-sponsored education class" and "open enrollment space."

Further definition is needed as to what items would constitute "qualified expenses" (i.e., transportation, travel time, parking, teaching supplies, class materials, equipment, etc.).

The department would have difficulty verifying that the credit requirements have been met.

**FISCAL IMPACT**

**Tax Revenue Estimate**

Based on data and assumptions discussed below, revenue losses from this proposal are estimated to be as follows:

Estimated Revenue Impact of <b>AB 1713</b> Taxable/Income Years After 12/31/98 Through 1/1/2004			
Fiscal Years	1998/99	1999/00	2000/01
<b>T O T A L S</b> (Rounded)	<b>(minor)</b>	<b>(1)</b>	<b>(1)</b>

Note: Minor means less than \$250,000;

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

### **Tax Revenue Discussion**

#### ***A) Loaned Employee Credit:***

Revenue losses would depend on the number of employees loaned to California public high schools or community colleges for teaching math or sciences, the amount of total expenses incurred by employers, and their respective income tax liabilities. This estimate was based on available information pertaining to math and science teachers in California public high schools or community colleges.

- According to the California Department of Education, the number of math and science teachers in California public high schools (grades 9-12) was nearly 12,800 in full-time equivalents (FTE) during the school year 1996/97. These schools project the need for an additional 1,300 math and science teachers.
- Public community colleges had about 4,000 math and sciences teachers in the 1996/97 school year, as estimated by the Community Colleges Chancellor's Office, and they need approximately 400 additional teachers for these classes.
- It was assumed that loaned employees would constitute approximately 1.5% of the classroom hours corresponding to this public school demand (41,600 hours, equivalent to approximately 27 FTE positions), and that school districts would allow these individuals to assist credentialed teachers in short-term class instruction.
- Total qualified employer expenses for these employees are projected to be nearly \$2 million (based on average yearly salary of \$50,000 and \$15,000 of additional employer expenses, such as fringe benefits, payroll taxes and other costs).
- At a 50% tax credit, the order of magnitude would be minor losses (less than \$250,000) in the first year expanding to nearly \$1 million by 2000/01. This estimate allows for an incentive effect.

#### ***B) Employer-sponsored Classes Credit:***

Revenue losses would depend on the number of open-spaces in employer-sponsored educational classes filled by California public school teachers

(including part-time) during a school year, the employers' expenses and their respective income tax liabilities.

This estimate was based on assumptions regarding overall participation rates for full-time and part-time teachers in California public high schools (grades 9-12) and community colleges. In addition, qualified "classes" are understood to be regular classroom settings during working hours - not special banquets, conferences, and the like.

It was assumed that 1% of all, not just math and science, teachers (over 2,800) would be able to use open spaces in employer-sponsored classes during a school year for an average expense per attendee of \$150.

Revenue losses from a 50% credit are projected to be insignificant (less than \$100,000) in the first fiscal year (shorter period) and minor in the following years.

The deduction offset was considered for both credit estimates.